



## MEMORANDUM

**To:** Members of the Michigan Legislature

**From:** Michigan Retailers Association, Michigan Grocers Association, Michigan Chamber of Commerce, Building Owners and Managers Association of Metropolitan Detroit (BOMA), Michigan Manufacturers Association, Grand Rapids Area Chamber of Commerce

**Date:** May 18, 2016

**Subject:** House Bill 5578 - Tax Tribunal Changes

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This memo is to express our collective opposition to House Bill 5578, a bill that would complicate the Michigan Tax Tribunal functions, increase the cost of real and personal property tax appeals, for all taxpayers and violate the Michigan Constitution's requirement for uniformity in property valuation.

### ***Unconstitutional Uniformity in Valuation***

By changing the terms of property valuation in the Michigan Tax Tribunal Act, properties that are appealed would by definition be subject to different valuations than properties that were not appealed, creating disparity in the uniformity of property valuations statewide, in violation of the the constitutional protection for uniformity.

### ***Increases cost and length of appeals***

The legislation would increase costs for taxpayers, taxing units and the Tribunal itself by creating unnecessary, extra work even if the parties agree on certain facts. The bill would not allow them to amicably resolve those issues unless enough evidence was provided to the Tribunal to allow it to make an independent determination.

The bill would require the Tribunal to make several specific, detailed, independent determinations involving many facts that may or may not be relevant to what is disputed or the ultimate determination of value. These additional determinations would significantly increase the costs of appraisals for both parties. Both taxpayers and taxing units may be required to hire additional experts such as economists or marketing experts to support information related to the financial feasibility of the property, the detailed market analysis and the value of the land in the market area (which may not be relevant if the land is improved).

### ***Departs from the General Property Tax Act's definition of true cash value***

The legislation would arbitrarily limit the types of sales the Tax Tribunal could consider as comparable sales, and would no longer follow the General Property Tax Act's definition of true cash value as "the usual selling price." This change would not only contribute to disparities in uniformity, it would also depart from standards typically applied nationally, and even internationally, impacting Michigan's competitive business climate.

While the legislation would require the use of all three methods of valuation (comparable sales, cost approach and the income approach) the bill would effectively remove the comparable sales approach for properties with any kind of private restriction or that were vacant at the time the sale occurred. There are several criteria that must be met before a comparable sale of a property with a private restriction or a property that was vacant at the time of the sale could be used. This would narrow the pool of available comparables to the extent it would be highly unlikely to find an “acceptable” comparable sale under the legislation’s new Tribunal guidelines.

***Conclusion***

We believe these bills would complicate the Michigan Tax Tribunal process, increase the cost of real and personal property tax appeals, for all taxpayers and violate the Michigan Constitution’s requirement for uniformity in property valuation. We believe a court would quickly overturn this proposal as unconstitutional and create further uncertainty for Michigan’s business climate. We respectfully oppose HB 5578.